

October 26, 2009

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Dear CODEL:

As the House and Senate combine the 1,000 page health care reform bills, we are monitoring both the direct and indirect impacts this legislation will have on Mississippi. I hope you will oppose legislation that increases the Medicaid burden to our state's budget or imposes fees or taxes that will stifle Mississippi's small businesses and families.

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On September 8, I advised you that Mississippi's annual state share of the Medicaid program currently costs \$707 million, or 12 percent of a \$5.87 billion state supported budget, which includes temporary stimulus funds. I also shared with you that should the reforms being debated in Congress become law — and that includes any unfunded mandate of an expanded Medicaid population — Mississippi would be saddled with additional costs, on top of the \$707 million. These proposals burden state budgets, forcing states to raise taxes. In Mississippi, that would necessarily mean increases in our state income or sales tax rates.

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You should know that on October 13, I wrote the state's agency directors instructing them to prepare for budget reductions for the remainder of State FY 2010. Sluggish revenue collections have already forced me to order \$172 million in spending reductions in the State FY 2010 budget, and additional deep cuts for State FY 2010 are inevitable. All indicators suggest the shortfall in FY 2010 will continue into the next fiscal year and could be even worse.

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For example, statistics from the U.S. Bureau of Labor Statistics show that in January 2004, 1,108,300 Mississippians were employed, compared to 1,107,500 employed in August 2009 — a difference of 800 jobs. Peak employment during my term was reached in December 2007, when 1,164,300 Mississippians were employed. However, with the onset of the economic downturn, Mississippi has been shedding jobs as business activity contracts and consumer spending declines. If employment continues to decrease, I anticipate the state's recovery process will be long, with revenue collections slow to return to previous levels — and we are not alone. Twenty-seven states registered increases in their unemployment rate in August, and all 50 states are experiencing higher rates than this time last year. I urge

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Congress not to pass any unfunded mandate to the states and assume that costs will be absorbed.

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In addition to the impact these health care reform bills will have on Mississippi's budget, I am also concerned about the indirect costs passed along to our constituents' individual and family budgets. It has been said time and time again that the goal of healthcare reform is to increase access and affordability to both healthcare and health insurance. The proposed House and Senate bills will never realize this goal because the requirements placed on insurers will drive up premium costs. These premium costs will either saddle businesses with tax burdens resulting in the loss of jobs or cause individuals and families to absorb these premium expenses (is this right???)

A report commissioned by the Blue Cross Blue Shield Association describes how the proposed insurance reforms in the Senate Finance Committee's bill would impact both the individual and small group markets. The report describes the detrimental impact on both the individual and small group market premiums. Due to the weak individual mandate penalties, changes in age rating and the enforcement of a required minimum benefit level, it is estimated that insurance rates will skyrocket for those who purchase insurance. The report determined the rate increases for different geographical areas of the country. For Mississippi, in year five of the reforms, the premium cost for a new individual policy will increase by \$1,800 for an individual policy and \$3,869 for a family. For a small business owner purchasing new coverage, the increase will be \$1,111 for an individual and \$3,095 for a family.

Further, many seniors' Medicare benefits will be reduced because of the provider reimbursement cuts proposed in the Medicare program. I have written before about the devastating effect H.R. 3200 will have on the Medicare program. CBO has estimated that provisions in H.R. 3200 would lead to a total of \$162.2 billion in cuts being taken from Medicare Advantage plans. This \$162.2 billion impacts 11 million people and represents nearly \$15,000 in new costs passed to every Medicare Advantage senior beneficiary. The Senate Finance Bill is no better. CBO states changes to the Medicare program will save an estimated \$182 billion over ten years. Most of the savings are changes made to the financing of the Medicare Advantage Plan. According to CBO, the payments cuts to the Medicare Advantage Plan will reduce senior benefits.

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As we wait for the House and the Senate to release their health care reform bills, I urge you to realize the direct and indirect financial impact this legislation will have on all Mississippians. My staff is prepared to work with your staff to analyze the cost of the various provisions once the language is known. I look forward to speaking with you soon.

Sincerely,

Haley Barbour